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PASS TREASURY FOR GRIFFIN, FRB FOR KICHLIN

E. O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: COMMITTEE ON FINANCIAL MARKETS MEETING

MARCH 13-14, 1975

REFS: (A) CMF/A(75)1 AGENDA AND DOCUMENT LIST

(B) C(74)240

(C) C(74)250

(D) CMF(75)2 AND 5

(E) CMF(75)6

(F) CMF(75)1

(G) CMF(75)7

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(H) CMF(75)8

1. SUMMARY: CMF ELECTED NEW VICE CHAIRMEN (GRIFFIN-US, DERIVAZ-SWITZERLAND), DISCUSSED CURRENT TRENDS IN FINANCIAL MARKETS (INCLUDING STATUS US MARKET FOR LONG-TERM FOREIGN BONDS), BANKING REFORM LEGISLATION, PROPOSALS TO ELIMINATE WITHHOLDING TAX ON FOREIGN HELD ISSUES, FUTURE WORK ON EUROMONEY AND CREDIT MARKETS, INDEXATION OF FINANCIAL ASSETS, AND RESULTS OF RESTRICTED MEETING WITH PRIVATE BANKERS HELD MARCH 12, 1975.

2. ELECTIONS. LEIFRINCK (NETHERLANDS) AGREED TO REMAIN AS CHAIRMAN CMF DURING 1975. VICE CHAIRMEN POSITIONS WERE FILLED BY GRIFFIN (US) AND DERIVAZ (SWISS NATIONAL BANK). US DEL WAS PROPOSED AS VICE CHAIRMAN BY DUTCH REP AND SECONDED BY CANADIAN REP (NOBLE) WHO NOTED THAT US HAD BEEN REPRESENTED IN OUTSTANDING FASHION BY PREVIOUS BANK AND TREASURY REPS. CHAIRMAN ASKED US DELEGATION TO PASS HIS AND COMMITTEE'S THANKS TO FORMER VICE CHAIRMAN PARTEE FOR HIS SUPPORT AND INTEREST IN WORK OF COMMITTEE DURING HIS PERIOD AS VICE CHAIRMAN.

3. RECENT DEVELOPMENTS: SECRETARIAT (BERTRAND) DESCRIBED STATUS OF WORK IN OECD ON MULTINATIONAL ENTERPRISES. HE NOTED THAT VARIOUS PROPOSALS FOR PRINCIPLES ON NATIONAL TREATMENT HAVE BEEN LEFT ASIDE FOR PRESENT. PROPOSALS ON INCENTIVES AND DISINCENTIVES CONCERNING INTERNATIONAL INVESTMENT REMAIN IN STATE OF CONFUSION ON WHAT GOVERNMENTS ARE WILLING TO ACCEPT. QUESTION OF DIRECT INVESTMENT IN OECD COUNTRIES BY OIL PRODUCERS BEING REVIEWED BUT PROBABLY LESS URGENT THAN FIRST THOUGHT. GENERAL THINKING SEEMS TO BE THAT IT IS NOT NECESSARY TO COORDINATE LEGISLATION OR REGULATION IN OECD ON DIRECT INVESTMENT. CHAIRMAN SUGGESTED CMF SHOULD HAVE ROLE TO PLAY REGARDING IMPACT OF INVESTMENT REGULATIONS ON STRUCTURE AND OPERATION OF SHORT, MEDIUM AND LONG-TERM FINANCIAL MARKETS. SECRETARIAT NOTED THAT ITS PERIODIC DOCUMENTATION ON LIMITED OFFICIAL USE

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INTEREST RATES HAD BEEN COMPUTERIZED AND WOULD NOW BE PRODUCED REGULARLY. IT WAS ALSO NOTED THAT CMF REPORT ON INTERNATIONAL SECURITY ISSUES (REF B) HAD BEEN DE-RESTRICTED BY COUNCIL AND THAT PREPARATIONS FOR FINAL PRINTING OF REPORT WERE UNDER WAY. COUNTRIES DESIRING TO MAKE LAST MINUTE CORRECTIONS SHOULD FORWARD SAME TO SECRETARIAT AS QUICKLY AS POSSIBLE FOR INCLUSION IN REPORT PRIOR TO PRINTING AND GENERAL DISTRIBUTION.

SECRETARIAT ALSO NOTED THAT REPORT ON TAXATION OF EURO BONDS (REF C) WAS APPROVED BY COUNCIL; COMMITTEE ON FISCAL AFFAIRS (CFA) WOULD PROBABLY TAKE UP ISSUE AGAIN IN NEAR FUTURE.

4. ACTIVITIES OF WORKING PARTIES: SECRETARIAT REPORTED ON ACTIVITIES ON WORKING PARTIES AS FOLLOWS:

(A) WP1 ON HOUSING FINANCE PRESENTLY IN STANDBY BASIS, WITH NO MEETINGS ANTICIPATED FOR 1975. DRAFT REPORT ON HOUSING HAS BEEN DISTRIBUTED AND DELEGATIONS HAVE SUBMITTED COMMENTS. FINAL REPORT SHOULD BE

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AVAILABLE BEFORE NEXT CMF MEETING.

(B) WP2 ON SECURITY MARKETS COMPLETED DISCUSSIONS ON QUESTIONS OF SELF-REGULATION DURING PRESENT SESSION. SECRETARIAT WILL FINALIZE REPORT AND PROPOSALS ON RULES FOR ADMISSION TO SECURITY EXCHANGES, AND WILL PREPARE INFORMATION REPORT ON SELF-REGULATION. NOT YET CLEAR WHETHER WP2 WOULD BE REQUIRED TO MEET AGAIN TO REVIEW LATTER REPORT.

(C) WP3 ON STANDARD RULES FOR INSTITUTIONS FOR COLLECTIVE INVESTMENT (ICI'S). CHAIRMAN NOTED THAT WHILE CMF HAD ORIGINALLY INTENDED THAT WP3 UNDERTAKE CRITICAL REVIEW OF STANDARD RULES IN 1975 WITH VIEW LIMITED OFFICIAL USE

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TO DETERMINING NEED FOR REVISIONS AND ADDITIONAL WORK, DELEGATES HAD NOT YET RESPONDED TO SECRETARIAT LETTER OF MAY 1974 ASKING FOR INFORMATION ON EXPERIENCE WITH THE RULES. SINCE CHANGES UNDERWAY IN MANY COUNTRIES, MOST DELS THOUGHT IT TOO EARLY TO UNDERTAKE REVIEW THIS ISSUE. US DEL INDICATED HE COULD MAKE STATUS

(#)

5. REPORT ON RESTRICTED MEETING OF BANKERS: CHAIRMAN NOTED FOLLOWING MAJOR POINTS DISCUSSION WITH BANKERS MARCH 12:

(A) EUROCURRENCY MARKETS TOGETHER WITH US AND UK DOMESTIC MARKETS REMAIN MAJOR OUTLETS FOR CHANNELING OPEC FUNDS.

(B) SOME TREND TOWARD LONGER TERM INVESTMENT POLICY BY OPEC COUNTRIES, WITH BANK DEPOSIT MATURITIES LENGTHENING, GREATER AMOUNTS BEING AT 3, 6, AND 9 MONTHS, AND SOMEWHAT LESS AT CALL.

(C) WHILE INVESTMENT IN MEDIUM-TERM SECURITIES IS GROWING, IT REMAINS SMALL PROPORTION OF TOTAL AND IS NOT EXPANDING NEARLY AS RAPIDLY AS NEWSPAPER REPORTS SUGGEST.

(D) INVESTMENT POLICIES OF OPEC COUNTRIES CLEARLY DIFFER, WITH BIG ABSORBERS DESIRING TO FORGE DIRECT INVESTMENT LINKS WITH INDUSTRIAL FIRMS IN DEVELOPED

(E) CHANGING CURRENCY EXPECTATIONS STILL PLAY A DOMINANT ROLE IN DETERMINING PLACEMENT OF OPEC FUNDS, WITH INTEREST RATE CONSIDERATIONS CONSIDERABLY LESS IMPORTANT.

(F) THERE IS NO EVIDENCE THAT OPEC FUNDS WERE IMPORTANT IN RECENT STOCKMARKET UPSWING IN MANY COUNTRIES. RATHER, UPSURGE IN THOSE MARKETS MIGHT HAVE BEEN IN ANTICIPATION OF POSSIBLE INFLOW OF OPEC INVESTMENTS.

(G) ACTIVITY IN INTERNATIONAL FINANCIAL MARKETS RETURNING TO NORMAL LEVELS, WITH EUROBOND MARKET LIMITED OFFICIAL USE

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BECOMING MORE ACTIVE. WHILE CAPITAL ADEQUACY PROBLEMS STILL EXIST, THIS IS SMALLER PROBLEM NOW THAT PROFIT MARGINS HAVE IMPROVED.

(H) CREDITWORTHINESS OF BORROWERS HAS IMPROVED AS BANKS HAVE BECOME MORE CONCERNED WITH NEED FOR MAINTAINING ADEQUATE LIQUIDITY, HAVE GIVEN GREATER MEDIUM AND LONGER TERM SECURITIES.

(J) FOREIGN BORROWING IN LONG-TERM US MARKET HAS NOT GROWN AS RAPIDLY AS FORESEEN WHEN IET WAS FIRST DROPPED. THIS EVIDENTLY DUE TO PROBLEMS CONCERNING SEC REQUIREMENTS, RATINGS OF FOREIGN BONDS BY US RATING SERVICES, AND UNFAMILIARITY OF US INSTITUTIONS WITH FOREIGN BONDS. IT WAS FELT THAT REDEVELOPMENT OF NEW YORK AS MAJOR LONG-TERM INTERNATIONAL LENDER WOULD BE GRADUAL PROCESS.

6. RECENT DEVELOPMENTS IN FINANCIAL MARKETS: AT REQUEST OF CHAIRMAN, MAJOR COUNTRIES NOTED THEIR CURRENT ESTIMATES OF PLACEMENT OF OPEC FUNDS. US REP NOTED US ESTIMATES FOR 1974 CLOSE TO THOSE IN REF (D) WITH \$11 BILLION TOTAL OPEC FUNDS IN US, \$1.6 IN BANK DEPOSITS, \$5.3 IN TREASURY BILLS, \$.9 IN LONG-TERM GOVERNMENT SECURITIES, \$.3 IN OTHER MONEY MARKET PAPER. NO SIZEABLE INDIVIDUAL OPEC LONG-TERM

NOTE BY OC/T: (#) APPARENT OMISSION.
CORRECTION TO FOLLOW.

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RANGE BETWEEN \$200 AND \$250 BILLION. TOTAL OPEC
ACCUMULATION IN 1975 COULD BE ROUGHLY \$53 BILLION,
FALLING TO \$38 BILLION IN 1976 (IN 1974 DOLLARS).
IF SAME PROPORTION OF TOTAL FLOWS TO US IN 1975 AS
IN 1974, WOULD TOTAL JUST UNDER \$10 BILLION .
ASSUME GREATER PORTION WOULD BE IN LONG-TERM THAN IN
1974, BUT SURPRISED TO SEE THIS RISE VERY DRAMATICALLY.
DISCUSSION WITH OPEC INVESTORS HAVE LED US AUTHORITIES
TO BELIEVE THAT FORMER WOULD TEND TO ACT AS PORTFOLIO
INVESTORS, SELDOM BUYING MORE THAN TEN PER CENT OF
ANY GIVEN FIRM. EXCESSIVE OPEC TAKEOVERS OF MAJOR US
FIRMS HIGHLY IMPROBABLE
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7. UK REP BELIEVED TOTAL OPEC ACCUMULATIONS 1974
PROBABLY AROUND \$56 BILLION, WITH 38 PERCENT IN UK,
MOSTLY IN LONDON BANKS. HE NOTED TENDENCY FOR PROPOR-
TION OF OPEC FUNDS INVESTED IN UK TO DECLINE AND FOR
COUNTRIES OTHER THAN UK AND US TO RECEIVE GREATER
TERMS. HE ESTIMATED OPEC PLACEMENTS WITH BANKS

WORLDWIDE AS AROUND 55 PERCENT OF TOTAL, WITH ADDITIONAL 20 PERCENT GOING INTO GOVERNMENT PAPER. ONLY SMALL INTEREST HAS BEEN SHOWN IN LONG-TERM INVESTMENT IN UK, ALTHOUGH THERE WAS SOME FEELING THAT OPEC INVESTORS MIGHT BE STARTING TO BUY SHARES OF FIRMS WHICH THEY EVENTUALLY HOPED TO TAKE OVER. MATURITY STRUCTURE OF OPEC DEPOSITS IN UK BANKS WAS LENGTHENING, WITH ESTIMATED 55 PERCENT OF TOTAL AT SIGHT OR UP TO ONE MONTH, 67 PERCENT UP TO THREE MONTHS, AND 80 PERCENT UP TO ONE YEAR, LEAVING AROUND 20 PERCENT OF TOTAL WITH MATURITY OF GREATER THAN ONE YEAR.

8. SWISS DEL COMMENTED ON SECRETARIAT ESTIMATE OF \$6 BILLION FLOW FROM SWITZERLAND TO US, INDICATING DIFFICULTY IN DETERMINING COUNTERPART OF THIS FIGURE IN FLOWS TO SWITZERLAND. SECRETARIAT SUGGESTED THAT WITH \$11 BILLION IN DIRECT FLOWS OF OPEC FUNDS TO US, ORIGIN THESE INDIRECT FLOWS. WORLD BANK REP REITERATED THAT WHILE \$11 BILLION REPRESENTED DIRECT PLACEMENT IN EUROPE AND US, SIGNIFICANT PORTION OF OTHER FUNDS INVESTED VIA EURODOLLAR MARKET WERE ALSO ULTIMATELY INVESTED IN US. UK REP NOTED THAT DURING SECOND AND THIRD QUARTERS OF 1974 ALMOST ALL SWISS DEPOSITS IN LONDON WERE REMOVED, POSSIBLY AS A RESULT OF RUMORS THAT UK WOULD BLOCK EUROCURRENCY DEPOSITS. OTHER BANKS HAD NOT FOLLOWED THIS LEAD. HE ALSO SUGGESTED THAT TOTAL INVESTMENTS OF ROUGHLY \$56 BILLION OF IDENTIFIED OPEC INVESTMENT SEEMED TO ACCOUNT FOR MOST OF OPEC INVESTMENT OF ACCUMULATED SURPLUS IN 1974, LEAVING ONLY \$2 TO \$4 BILLION UNKNOWN ADDITIONAL OPEC PLACEMENT.

9. SECRETARIAT NOTED THAT EXISTING MARKET SYSTEM TOGETHER WITH GOVERNMENT ARRANGEMENTS FOR BILATERAL LIMITED OFFICIAL USE

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DEALS HAD ADEQUATELY RECYCLED MASSIVE \$60 BILLION IN REST OF NON-OPEC WORLD WOULD PROBABLY RISE. THIS WOULD RESULT IN CONTINUED HUGE DEFICIT OF NON-OECD COUNTRIES TO BE RECYCLED IN 1975. ABILITY OF MARKETS TO HANDLE THIS NON-OECD PORTION OF WORLD DEFICIT WITH OPEC COUNTRIES MIGHT BEGIN TO RAISE SERIOUS PROBLEMS OF BORROWER CREDITWORTHINESS IN 1975. WORLD BANK REP NOTED THAT EUROBANKS HAD BEGUN TO SCREEN LDC BORROWERS MUCH MORE CAREFULLY AS TO CREDITWORTHINESS, AND THAT SPECIFIC LIMITS WERE BEING IMPOSED BY PARENT BANKS ON AMOUNT OF LENDING TO ANY ONE LDC. INCREASINGLY, BANKS SEEMED MORE CONSCIOUS OF THEIR OWN LIQUIDITY NEEDS, MAINTAINING HIGH LIQUIDITY LEVELS AND PURCHASING MORE OF OWN GOVERNMENT PAPER RATHER THAN LENDING TO

LDCS. IN HIS VIEW, POORER COUNTRIES COULD NOT
UNDERTAKE ADDITIONAL BORROWING IN INTERNATIONAL
MARKETS, SINCE THEIR TERMS OF TRADE HAD
DETERIORATED, DEBT BURDENS INCREASED, MANUFACTURING
EXPORTS TO DEVELOPED COUNTRIES HAD DECREASED, AND

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10. LONG TERM BOND ISSUES IN US: US REP NOTED RESULTS
OF INFORMAL SURVEY CONCERNING FOREIGN BOND ISSUES IN US
WHICH SHOWED (A) GENERAL SHIFT TOWARD ISSUING BONDS
DURING PERIOD IN WHICH LONG TERM RATES FAVORABLE.

(B) US BOND PURCHASERS BUYING ONLY HIGHEST RATED BONDS DUE TO LACK OF EXPERTISE IN FOREIGN BOND MARKETS. EVEN HAVING SAME RATING, INTEREST COST ON FOREIGN ISSUE MIGHT BE EXPECTED TO BE AT LEAST ONE PERCENT HIGHER THAN RATE OF SIMILARLY RATED DOMESTIC ISSUE. (C) IT IS EXPECTED THAT AS SUCCESSFUL ISSUES ARE MADE, CHANCES WILL IMPROVE FOR ADDITIONAL NEW ISSUES AT LOWER LIMITED OFFICIAL USE

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INTEREST COSTS IN FUTURE, (D) WHILE SEC REGULATIONS CONCERNING FOREIGN ISSUERS HAVE CREATED SOME PROBLEMS, SEC IS SHOWING FLEXIBILITY IN APPLICATION THESE REGULATIONS. (E) WHILE LOCAL LAW CONCERNING INVESTMENT LIMITS BY INSTITUTIONAL INVESTORS MAY LIMIT PURCHASE OF FOREIGN BOND ISSUES (E.G., INSURANCE COMPANIES IN NEW YORK CAN NEW YORK PURCHASES OF FOREIGN SECURITIES. DUTCH REP NOTED THAT PRIVATE PLACEMENTS IN US WERE EXTREMELY DIFFICULT, WITH SO MANY GUARANTEES REQUESTED OF BORROWER THAT EUROPEAN BANKS WOULD PREFER NOT TO BE INVOLVED IN US PRIVATE PLACEMENTS. US DEL NOTED THAT SUCH PRIVATE PLACEMENTS DO NOT COME UNDER SEC RULES, AND THAT GUARANTEES AND OTHER ARRANGEMENTS WERE IMPOSED ON ALL BORROWERS, DOMESTIC AND FOREIGN. DURING 1973-74 PERIOD OVER \$25 BILLION IN BONDS WERE ISSUED, OF WHICH PERHAPS \$8 BILLION WERE IN PRIVATE MARKETS, INDICATING THAT THESE PROBLEMS CAN BE OVERCOME. SEVERAL DELS RAISED QUESTION CONCERNING APPROPRIATENESS OF STANDARD AND POOR RATINGS ON FOREIGN BONDS AND EXTENT TO WHICH POLITICAL FACTORS WERE CONSIDERED. US DEL RESPONDED THAT AS EXPERIENCE INCREASED WITH SUCH RATINGS, THE ONE PERCENT DIFFERENTIAL BETWEEN FOREIGN AND DOMESTIC ISSUES COULD BE EXPECTED TO DECREASE. DIFFERENTIAL HAD BEEN CONSIDERABLY SMALLER

11. INTEREST RATES: DURING LENGTHY DISCUSSION ON INTEREST RATES, GERMAN DEL NOTED POSITIVE YIELD CURVE AND MOVEMENT OF BORROWERS INTO LONGER TERM ISSUES NOW THAT DM NO LONGER CONSIDERED UNDERVALUED. ALSO NOTED INCREASING FLOW OF DM FOREIGN ISSUES RETURNING TO GERMAN BUYERS. US DEL NOTED FEDERAL FUNDS RATE HAS DROPPED EVEN FURTHER BELOW LEVEL NOTED IN REF D BUT THAT RATE OF DECLINE HAS SLOWED. DECLINE DUE TO REDUCED PRIVATE DEMAND FOR CREDIT AND ADDITIONAL EASING IN MONETARY POLICY. HE NOTED SOME EVIDENCE THAT MONEY SUPPLY BEGINNING TO GROW, AND THAT SOME FURTHER DECLINE IN SHORT TERM RATES EXPECTED. UK DEL NOTED THAT WHILE SHORT TERM RATES IN UK HAD NOT FALLEN MUCH, LONG TERM RATE HAD DROPPED DRAMATICALLY, DOWN 35 PERCENT FROM 18 PERCENT TO AROUND 14 PERCENT IN TWO MONTHS. FUTURE DIRECTION

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INTEREST RATES HIGHLY DEPENDENT UPON RATE STRUCTURES
DO NOT EXPECT MUCH FURTHER DROP IN MEDIUM AND LONGER
TERM RATES. YIELD CURVES IN MOST OTHER COUNTRIES ARE
ROUGHLY FLAT FROM SIX MONTHS OUT.

12. REMOVAL OF WITHHOLDING TAXES ON BOND ISSUES:
SECRETARIAT NOTED THIS QUESTION UNDER DISCUSSION IN
NUMBER OF COUNTRIES AND THAT IT WOULD ALSO BE DIS-
CUSSED IN GREATER DEPTH BY CFA IN JUNE. US DEL
INDICATED US POSITION HAD NOT CHANGED SINCE REF E
ISSUED. WHILE ADMINISTRATION HAD NO IMMEDIATE PLANS
TO REINTRODUCE BILL, HOUSE WAYS AND MEANS COMMITTEE
EVIDENTLY PLANNED TO RETURN TO MATTER. HE POINTED
OUT THAT IT WOULD BE MISLEADING TO BELIEVE THAT US
PROPOSAL WAS BASED ON DESIRE TO ATTRACT FOREIGN
CAPITAL. US BELIEVES ELIMINATION OF TAX WOULD REMOVE
AN IMPEDIMENT TO FREE FLOW OF CAPITAL. IT WOULD NOT
HAVE MUCH EFFECT ON CAPITAL FLOWS SINCE THERE ARE
ALREADY MAJOR LOOPHOLES WHERE FUNDS CAN PRESENTLY MOVE

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INVESTMENTS IN ANY EVENT, SINCE IT DOES NOT APPLY TO
GOVERNMENT HOLDINGS.

13. BANKING REFORM MEASURES: BELGIAN AND GERMAN DELS
COMMENTED ON CONTENTS ADDENDUMS I AND II RESPECTIVELY
TO REF F WITHOUT ADDING SIGNIFICANT NEW INFORMATION.
US DEL COMMENTED ON ADDENDUM III REF F CONCERNING FRB
BILL ON FOREIGN BANKS IN US, NOTING THAT BILL HAD BEEN
REINTRODUCED WEEK BEFORE CMF MEETING. HE EXPLAINED
THAT PURPOSE OF BILL WAS TO ESTABLISH CONSISTENT
NATIONAL POLICY TOWARD FOREIGN BANKS IN US. CHANGES
CONTEMPLATED WOULD NOT ENHANCE COMPETITIVE POSITION
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OF DOMESTIC BANKS VIS-A-VIS FOREIGN BANKS. ALL
FOREIGN BANKS AND AGENCIES WOULD BECOME SUBJECT TO
US BANK HOLDING ACT AND WOULD REQUIRE FEDERAL
LICENSING. HOWEVER, THEY WOULD BE ELIGIBLE TO
ESTABLISH EDGE ACT BANKS, AND RULES ON FOREIGN
OWNERSHIP OF US BANKS, CHARTER LAWS, ETC., WOULD
LATTER WOULD FACE INCREASED DIFFICULTY IN MOVING TO US
TO BALANCE ENORMOUS SHIFT OF US BANKS TO EUROPE. HE
SUGGESTED AN EC INITIATIVE WOULD BE FORTHCOMING ON THIS
IN NEAR FUTURE. REGARDING PROPOSALS FOR FUTURE WORK
(PARAS 14-15 OF REF F), CMF AGREED IT TOO EARLY TO SET
UP SPECIAL WORKING GROUP ON TRENDS IN BANKING LEGISLA-
TION. CMF ALSO OBJECTED TO PREPARATION OF QUESTION-
NAIRE, PREFERRING THAT SECRETARIAT PREPARE REPORTS
(SUCH AS ADDENDUMS I AND II ABOVE) FROM INFORMATION
ALREADY AVAILABLE. CHAIRMAN SUGGESTED CMF PURPOSE AT
PRESENT NOT REPEAT NOT TO PROPOSE MEANS OF
HARMONIZATION BANKING LEGISLATION BUT TO STUDY GENERAL
QUESTION, TAKING INTO ACCOUNT WORK UNDERWAY IN
BASEL GROUP. HE ALSO URGED DELS TO SUBMIT ANY FURTHER
VIEWS THIS ISSUE TO SECRETARIAT AS SOON AS POSSIBLE FOR

INCLUSION IN NEXT ROUND OF REPORTS.

L4. EUROMONEY AND CREDIT MARKETS: BELGIAN DEL
I/2. US DEL THOUGHT IT WOULD BE USEFUL TO INCLUDE WORK
ON REGULATION OF EURO MARKETS IN SECTION II REF G;
SEVERAL CENTRAL BANK REPS PREFERRED THIS WORK BE KEPT
IN BIS. (FYI: MISSION BELIEVES SECRETARIAT
FAVORABLY DISPOSED TOWARD FURTHER WORK THIS ITEM BUT
FEELS CANNOT BEGIN WITHOUT STRONG INITIATIVE FROM US
FAIRLY WIDELY ACCEPTED IN CMF.) CMF DIRECTED SECRETARIAT
TO PREPARE MATERIALS INITIALLY ON ITEMS I/L AND I/2
AND TO EXTENT POSSIBLE ON II/L AND II/2.

15. INDEXATION: DANISH, ITALIAN AND UK DELS
COMMENTED BRIEFLY ON ADDENDUMS I, II AND III OF REF H.
GERMAN DEL NOTED CONTINUED STRONG GERMAN OPPOSITION TO
INDEXATION FINANCIAL ASSETS, BELIEVING COULD NOT BE
LIMITED TO ONE SECTOR AND WOULD SPEED UP INFLATION.
DUTCH REP ALSO OPPOSED TO INDEXATION SCHEMES. BELGIAN
REP NOTED THAT FINMIN CONSULTANT STUDY ON INDEXATION
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WOULD SOON BE PUBLISHED. UK DEL NOTED GOVERNMENT
ASPECTS OF INFLATION ACCOUNTING. ALSO NOTED MANPOWER
AND SOCIAL AFFAIRS COMMITTEE HAS PROJECT ON TAXATION
WEALTH AND INFLATION GAINS. CMF AGREED THAT
SECRETARIAT SHOULD PREPARE EXPANDED INFORMATION
REPORT ON INDEXATION FOR EVENTUAL PUBLICATION. CMF
NEUTRAL ON SECRETARIAT PROPOSAL TO DO FURTHER WORK
FLOATING RATE EUROCREDITS AS FORM OF INDEXATION.

16. NEXT CFM MEETING SCHEDULED FOR JULY 1-2, 1975.
POSSIBILITY OF RESTRICTED BANKERS MEETING AFTERNOON
OF JUNE 30.

17. THIS CABLE SUBJECT TO CLEARANCE BY GRIFFIN AND
KICHLINE.
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Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, ECONOMIC CONDITIONS, INVESTMENT CLIMATE, COMMITTEE MEETINGS, FINANCIAL MARKETS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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